

THE IMPACT OF TAX INCENTIVES ON ECONOMIC GROWTH AND INDUSTRIAL DEVELOPMENT IN NIGERIA

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Abstract

This study aimed at examining the impact of tax incentives on economic growth and industrial development of companies in Nigeria. The research seeks to determine whether there is significant relationship between tax incentive and economic growth and also examine whether these tax incentives are accessible and available to companies which in-turn facilitates economic growth and industrial development. The methodology used for data collection was survey method and content analysis. Data was generated from both primary and secondary sources. The technique used for data analyses was chi-square test and statistical package for social sciences (SPSS.) Findings were made that there are significant relationships between tax incentive and economic growth which was indicated by responses of respondents and test of hypothesis using the SPSS. Findings were also made that tax incentives are found to be available to qualified companies who possess those criteria to qualify for those incentives. Recommendations were made that the government should formulate fiscal policies that would increase tax incentives granted to companies especially to small and medium scale businesses, in order to enhance the micro economic growth which in aggregate the total macro economic growth and development. This will foster economic growth and encourage entrepreneurs and investors; both foreign and local who will make investments in the economy, with a trickledown effect of increased per-capita income, increased government revenue as a result of more available businesses that will be subject to tax. And that there should be a clearly laid down criteria for tax incentives which should not be ambiguous or difficult to access. The processes and steps to qualify for these tax incentives should be made simple and stringent criteria should be watered-down to facilitate and encourage companies taking advantage of these incentives, in order to grow and develop their businesses.

Key words: *Impact, Tax incentive, Economic growth, industrial development, Relationship.*

Introduction

Tax as an instrument of fiscal policy is seen to be used by the government to encourage certain sectors or areas of the economy, which are construed to essential for economic growth and development. The various ways through which these economic activities are stimulated are referred to as tax incentives. This involves a situation where government charges less or no tax in order to encourage investments and activities in those areas which help to improve the production capabilities, activate economic growth as well as allocation of resources in a more socially desirable manner. Tax incentive in a nutshell, is the use of government spending and tax policies to influence the level of national income. Taxation itself is the process or means by which communities or group are made to contribute part of their income for the purpose of administering the society. Tax incentives enhance the emergence of new enterprises or re-activation of existing ones, thereby reducing profit tax which will have being earn from them, but ultimately encouraging production to curb the menace of unemployment, youth restiveness and over-dependence on the government for a means of livelihood.

Tax incentive generates employment opportunities for the people, which help to fight depression, recession, inflation and economic melt-down, thereby increasing distribution of income and wealth. Tax incentive is a convenient tool to attract industries that will help to solve unemployment problem as it is considered neutral between capital incentive and labour incentive types of businesses especially in a country with surplus labour like Nigeria. There are different views on the multiplier-effect of tax incentive; some school of thought believes that tax incentive encourages economic growth and development while others believes that it reduces revenue that would have accrued to the government and that it does not stimulate economic growth and development. It must be noted that some of the measures taken so far by the Nigerian government to improve the economy have not produce satisfactory results, despite the prevalence of incentives available in the Nigerian tax system.

Objectives of the Study

The main objective of this study therefore, is to analyze the impact of tax incentive on economic growth and industrial development in Nigeria and also examine whether these tax incentives are accessible and available to companies which in-turn facilitates economic growth and industrial development.

Statement of Research Hypothesis

In an attempt to achieve the stated objective, some research hypotheses were developed in null form, thus:

HO1-: There is no significant relationship between tax incentive and economic growth.

HO2-: There are no lay down criteria for tax incentives and there economic implication.

HO3-: There are no Tax incentives accessible and available to companies.

Scope and Significance of the Study

This study covered the impact of tax incentives in economic and industrial development; it was limited to three manufacturing companies in Northeastern Nigeria, namely: the Bajabure Industrial Company (Makers of NIMA Foam) in Adamawa state, the Ashaka Cement Company PLC in Gombe state and Nigerian Beverages Production Ltd (Makers of Highland Tea) in Taraba state. And in addition to the information generated from the annual reports of these companies, a great deal of emphasis was placed on questionnaires and oral interview that were administered among employees of these companies in the field.

Literature Review and Conceptual Issues

In this section, relevant literatures related to the study were reviewed, local and international journals and scholarly publications were consulted including the work of Azubike (2009), Nzotta (2007), Odusola (2006), Appah, (2004), Appah and Oyandonghan (2011), Anyanfo (1996), Anyanwu (1997), Tosun and Abizadeh (2005), (Kaldor and Hume, 2004), Longe, (1997), Due (1980), Agyel, (1990), etc.

Conceptual Framework

There are no universal postulations on taxation or tax incentives, nevertheless several researchers and policy advocates of taxation and tax incentives issues viewed this concept of tax incentives as two different concepts which are married together for the purpose policy convenience. For instance, Azubike (2009), posited that tax is a major player in every society of the world; the tax system provides an opportunity for government to collect revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth.

Tosun and Abizadeh (2005), made postulations on the concept of taxation; saying that taxes are used as proxy for fiscal policy. They outlined five possible mechanisms by which taxes can affect economic growth. First, taxes can inhibit investment rate through such taxes as corporate and personal income, capital gain taxes. In the words of Nzotta (2007), taxes constitute key sources of revenue to the Nigerian government via the federation account, which is shared among the three tiers, i.e: federal, state and local governments. This is why Odusola (2006) stated that in Nigeria, the government's fiscal power is divided into three-tiered tax structure between the federal, state and local, each of which has different tax jurisdictions, but pool commonly from the federation account. The tax system in Nigeria is lopsided and dominated by the oil revenue and over the past two decades; oil revenue has accounted for more than 75% of the revenue, thus indicating that traditional tax revenue has never assumed a strong role in the country's management of fiscal policy.

The Concept of Tax

Tax is a compulsory levy imposed on a subject (individual or corporate) or upon his property, income and/or consumption by the government in order to generate revenue to provide security, social amenities and create conditions for the economic well-being of the society (Appah, 2004; Appah and Oyandonghan, 2011). Anyanfo (1996) and Anyanwu (1997) further buttressed that tax are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc. Danbatta (2005), defined tax as a “compulsory contribution made by individuals and organizations toward defraying the expenditure of the government”. Tax can either be direct or indirect, direct taxes are imposed on the income or consumption of a tax payer who bear the burden of taxation. Indirect taxes on the other hand, are imposed on goods and services on which the tax payer does not bear the burden of taxation, but can transfer it a final consumer who bears the burden, in form of price.

The Concept of Incentive

The Oxford Advance Learners Dictionary defines incentives as reduction in the effective tax burden on the favored activity as against that currently imposed upon it in the hope that the reduction in government revenue (due to tax forgone) will be compensated by an expected expansion of the national economy and ultimately by resulting increases in total revenue from such broadened economic basis.

Incentive refers to anything that encourages one to do something. Hence, a tax incentive is a generic term for all the measures adopted by the government to deliberately manipulate the tax system to the advantage of potential tax-payer (Dotun, 1996). Holland and Vana (1996) maintained that many developing and transitional countries in the world offer incentives for investment, the incentives are not meant for direct investors, but it relates to real investment in financial assets and often direct to foreign investors, in a situation where there are insufficient domestic capital for desired level of development and that international investment brings with it modern technology and management techniques. Kwewuni (1996) argued that incentives by their nature represents revenue costs to the government and may be drains on the revenue of government if not well focused. This is because government would have defined itself of the revenue that would have been generated with the above as the clear concept government of Nigeria has introduced a low tax regime which would help to develop priority sectors of the economy like agriculture, pioneer companies, export processing zone, petroleum industries, solid minerals, etc (Ojo, 2001).

The Concept of Tax Incentives

Tax incentive is a deliberate reduction in or total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable ways. The desirable ways maybe to invest more, employ more, export more, sell more, consume less, import less and pollute less and so on (Sanni, 2002).

Empirical studies like those of (Sanni, 2002) and (Adedotun1996) have reported different views on tax incentives as a catalyst for economic growth and development. Taxation has been used to encourage savings, investment and re-distribute income. Also priority sectors like Export Processing Zone (EPZ), solid minerals; oil and gas have been encouraged. The manufacturing sectors have received the right doses of tax incentives. Government also uses taxation to stimulate the economy by using tax policy to influence purchasing power and production costs (Ariwodola, 2001). Countries have introduced investment incentives for varying reasons; in some case, the incentives may be seen as a counter weight to the investment disincentives inherent in the general tax system (Holland and Vann, 1996).

Basically, taxation is designed to support government in the payment for goods and services provided for the overall socio-economic well being of the citizenry, as well as vital amenities in various communities where people live and do business. Conceptually, therefore; tax represents:

- I. Compulsory payment made by individual and firms in a society to the government (Kaldor and Hume, 2004);
- ii. Policy of collecting fees and revenue from individuals and bodies such as the private and public firms, which is closely linked with budget, the fiscal instrument that embodies political social and economic philosophy of government (Longe, 1997);
- iii. Levy imposed by government against income, profit or wealth of individuals, partnerships, and corporate organizations (Due, 1980); and
- iv. Transfer of resources from private sector to the public sector in order to accomplish a nation's economic and social goals, which will primarily increase the rate of economic growth and per capita income for higher standard of living (Agyel, 1990).

From the definitions of the concept of Tax and Incentive given above, Tax incentive is a reduction by government in the payment of tax by a person or company so as to attract that person or company to invest in a country. Thus, Tax incentives as stated before, is granted by government in order to encourage industrial investment in Nigeria. In fact since 1996, attempts have been made to attract investors to the upstream sector of the petroleum industry. This bouquet of incentives according to Ojo (2001) has assisted in attracting investors to the economy with believe that the wealth of the nation would be positively impacted upon.

Types of Tax Incentives

There are quite a handful of tax incentives available to investors and businesses in Nigeria. The essence of these measures are obviously to stimulate investors (corporate and individual) to invest more, produce more, employ more, export more, sell more, consume less, import less and pollute less. Wikipedia (2008) enumerated several tax incentives and benefits, few among which are:

1. **Pioneer Industries Relief or Tax Exemption**

This is also known as tax holiday, it is the most widespread tax incentive in developing countries including Nigeria. Tax Exemption; whole or partial is tax forgiveness over a period of time, granted by the government to individual and corporate tax payers. According to Ayua (2007), it simply means a period of exemption from the payment of taxes imposed by the government and this exemption may be complete or partial.

The Industrial Development (Income Tax Relief) Act 1971 repealed the 1958 Act but re-enacted the contents of the latter Act though with certain major changes. Similar provision is contained in the industrial Development (Income Tax Relief) Act, which has consolidated the 1971 Act. The period for which a pioneer company is granted tax relief under the 1990 Act is between three to five years and the period shall begin from the date on which the company commenced production. The period within which this relief is granted is called pioneer period and these companies referred to as pioneer companies. The profits of a pioneer company are exempted from tax during the tax relief period but where it earns profit from activities other than its pioneer enterprises, it will be liable to tax.

2. **Accelerated Depreciation Allowance**

This permits the rapid write-off of acquisition or original costs on the capital equipment less any salvage value in the early years of investment. This is done by deducting the cost from taxable income and for this purpose some methods are employed. These are:-

- i. The straight line method-here the cost of depreciable property is written off in equal annual installments over its expected useful life, this method has been used in the United States of America.
- ii. The declining balance method here, the deduction is a constant fraction of the unpaid balance of the cost of the assets but a declining fraction of the original cost.

In Nigeria, accelerated depreciation takes the form of initial allowances that are combined with normal annual allowances to complete the write-off of the cost of depreciated asset. All companies liable to company's income Tax Act 1990 is automatically entitled to depreciation allowance. Initial allowances are granted in relation to capital assets acquired for the purposes of trade or business. The initial allowance enables a company to claim a fixed percentage of the cost of the assets in the year of acquisition. The rate now are five percent (5%) for building expenditure, fifteen percent (15%) for industrial building expenditure, twenty percent (20%) for mining and plant expenditure, and thirty percent (30%) for plantation. Annual allowances are granted for the same year and for further years, during which the assets is in use for the trade or business. The annual allowances are calculated on a reducing balancing expenditure (that is the original less all allowances made for the previous years) this is done as follows: ten percent (10%) for mining and plant expenditure and fifteen percent (15%) for plantation expenditure.

3. **Capital Allowances for Agricultural Companies**

Wikipedia (2008), companies in their agro-allied business do not have their capital allowance restricted, it is granted in full that is 100%. The essence of these tax incentives is to stimulate agro-allied investors to invest more in the sector. This tax incentive policy has therefore been sometimes used by the government of both developed and developing countries at one point or: another to change the level, timing, type, and configuration of investment expenditure in agro-allied businesses. It is not surprising that, in Nigeria, depreciation and capital allowances and corporate income tax have changed repeatedly and investment tax credit (ITC) has been 'introduced in an effort to stimulate investment. Tax provision can give rise to both incentives and disincentives effect.

In Nigeria, Wikipedia (2008), there has been a mixture of tax incentives policy having incentives and disincentives effects on corporate investment the Company Income Tax (CIT) rate 40% in 1961, 45% in 1996 and 50% in 1978 / 1979 year of assessment. This was later reduced to 45% in 1980, 35% from 1993 to 1995 and 30% from 1996 to date.

4. **Rural Investment Allowance**

According to Adelegan (2008), rural investment allowance is granted to manufacturing companies that are sited at 20 kilometers from the provision of electricity, water, tarred road or telephone for the purpose of their tax- and have provided the facilities that the government has failed to provide. The company can claim the rural investment allowance in addition to the initial allowance only in the capital expenditure is incurred. Where there is no telephone, tarred road, water and electricity, a company can claim 5%, 15%, 30% and 50% of capital expenditure on agricultural assets in use respectively. However; where there is no facility at all a manufacturing firm can claim 100% of expenditure allowance on assets use.

5. **Investment Allowance**

Wikipedia (2008), a general investment allowance of 10% of the cost incurred on plant and equipment has been allowable to all companies from 1996 to date. Since 1996, there has been an initial allowance of 95% of the cost incurred on plants for agricultural production, while a 50% Initial allowance and 25% annual allowance has been granted for plant purchase for any other activity. Industrial plant and machinery bought in replacement of old ones are granted a once and for all 95% capital allowance in the first year with 5% retention as the book value until the final disposal of the assets.

Adelegan (2008), an investment allowance of 150/0 is granted for such replacement as well. This in addition to roll - over - relief granted under the capital gains tax (CGT). There is a provision for roll- over - relief if the proceeds from the sale of fixed assets are utilized within a given period in buying similar asset for use by the same tax payer. Investment tax relief is also granted under the same conditions as under the rural investment allowance, excepts that e relief can be claimed for only 3years and is not available to a company which has been granted pioneer status.

6. **Agricultural Input Non-Vatable**

Adelegan (2008), revealed that agricultural input taxes paid in the course of the production of goods by agro-allied companies are creditable and interest on bank loans granted for the purpose of manufacturing goods for exports are also exempted from taxation a value added tax (VAT) was introduced in Nigeria in 1994 and the subtractive method is adopted whereby input tax is subtracted from output to arrive at VAT Tax can be shifted to customers in the form of a high profit margin and collection of value added tax (VAT). Value added tax account for 19.6% and 25.8% of non-oil revenue (excluding petroleum profit tax) respectively between 2002 and 2004 when firms are able to shift part of that corporate tax money is freed up for fixed investment.

7. **Pioneer Status - Agricultural Business**

Status on agricultural business: Agriculture is one of the critical sectors targeted to derive Nigeria's diversification programme. Any investment in this sector attracts pioneer status; tax holidays, tariff concessions, financing and export support. The Nigerian government has made a lot of effort to diversify the economy with a specific focus on agriculture. Financing equipment and fertilizer, and various research

initiatives have been introduced to boost agricultural production. A number of companies have already successfully invested especially in agric processing industries. But with over 150 months to feed and incentive export, opportunities, plenty of room exists for fresh investment (Ariwodola, 2001).

8. **Carried Forward Loss Relief**

There are also incentives which serve as relief to losses suffered by farmers and agro-allied companies. There is a roll-over relief if the proceeds from the sale of fixed assets in form of agricultural equipments are utilized within a given period in buying a similar asset for use by the same farmer or agro-allied tax payer. This is an incentive for the replacement of industrial plants and agricultural machinery.

The losses suffered by the agro-allied companies as well the farmers. In agricultural production carry forward are offset against the future profit of the business. The loss relief is carried forward indefinitely without the four year restriction, as applicable to other enterprises.

Benefit of Tax Incentives

There are some benefits derived from tax incentive even though, it is said to play a minor role in influencing investment decision in the country. Some of these benefits are:-

- i. It is a convenient tool to attract industries that will help to solve unemployment problem; as it is considered neutral between capital intensive and labour intensive types of businesses, especially in a country with unemployment problem like Nigeria.
- ii. It improves the commercial profitability of investment by making available tax-free income within the tax holiday period, which are re-invested.
- iii. It also serves to establish a favorable investment climate and provide the desire assurance against confiscation and against non-convertibility different problems like currency restrictions, instability of government and the risk that foreign capital investment may be expropriated.
- iv. Tax incentives helps in drawing attention to the profit prospects of investing in certain types of business that a country seeks to promote.
- v. It also increase the profit prospects of a new venture and enables a firm to recover its capital costs more faster so that the risk of investment are reduced considerably.

Criticism of Tax Incentives

- i. It has been criticized on the ground that most tax incentive laws are new and empirical studies of their operation are so scanty. Thus, it is not possible to present a definite appraisal of their contribution to new investment and it is not possible to measure the cost of tax incentives against the benefits received.
- ii. It is criticise as being ineffective and insufficient stimulus to investment especially in developing countries as it complicates the regular company or busniess tax legislation and tax shelters made available to tax payer through all sort of means is a veritable source of tax avoidance and/or evation for "smart "tax payer who may take the advantage of the yawning loopholes that may result there from.
- iii. It has been criticized on the ground that if a tax system believes in the sanctity of endless provision of shelters, there will be no end to the erosion of the statutory tax base of such a tax system. According to Seyi Ojo this is made worst by the government scarifying its revenue base on the altar of political gains.

- iv. It has been criticized that the resultant proliferation of tax holiday and the keen composition among developing countries especially in offering tax incentives for new incentives has to a great extent diluted its promotional value.
- v. The grant of tax incentives has been criticized because it is said to be disproportionate as the benefit derived there firm to firm and as such firms that are more profitable will likely enjoy more benefit than those with little or no profit has been countered by Seyi Ojo who said that if the most profitable business enjoys more benefits, there is nothing wrong as it should encourage other firms to work hard towards being profitable which will enhance the nation's wealth.
- vi. It is also said that such large benefits to highly profitable business will result in a serious loss of revenue to the government which is almost short of revenue. It has in fact been reported by Adedotun Phillips, that the cumulative effect of the incentives provided in the in Nigerian between 1958 and 1966 was a loss of revenue to the government.

Methodology

This study employed survey design and content analysis. Primary data was generated through administration of structured questionnaire and interview; whereas secondary data on the other hand, was generated through content analysis. Structured questionnaire was used to collect the primary data.

Hypotheses were also developed for this study in null form, thus: HO1-: There is no significant relationship between tax incentive and economic growth, HO2-: There are no lay down criteria for tax incentives and there economic implication and HO3-: There are no Tax incentives accessible and available to companies and the hypothesis were tested using Chi-Square.

The questionnaire was structured to carry a 5-point likert scale; respondents were allowed to indicate their opinion as strongly agreed (SA), agreed (A), undecided (U), disagreed (D), and strongly disagreed (SD). In testing the hypothesis of this study, descriptive statistics and chi-Square test were used and the Chi-Square formula applicable in (Monga, 1992), given as follows was applied:

$$X^2 = \sum \frac{(Fo - Fe)^2}{Fe}$$

Where: Fo = Observation Frequency

Fe = Expected Frequency

∑ = Summation Notation

The degree of freedom was obtained using formula as thus:

DF=(R-1)(K-1)

Where: R= Row, K Column

Decision Rule:

If the computed value of X² is less than the critical value on the table at 5% level of significance, at an appropriate degree of freedom (R-1) (K-1), the null hypothesis is accepted. If the computed value of X² is more than the critical value on the table at 5% level of significance, at an appropriate degree of freedom (R-1) (K-1), the null hypothesis is rejected.

Methods of Data Presentation and Analysis

This research used tabular method to present the data collected and with the aid of a computer based

package known as the Statistical Package for Social Sciences (SPSS). Also, the research results was interpreted and discussed with respect to the research problem, research hypotheses, relevant literature and experience. Conclusions was drawn, recommendations made and relevant areas for further studies suggested. A simple analysis of variance (CHI-SQUARE) was employed to analyses the data that was collected using the questionnaire. The result of the analysis was interpreted and use for testing the hypotheses.

Data Analysis and Interpretation

The table (1.1) below shows the data collected from respondents in a coded form so as to enhance their input into the computer (SPSS) for analysis. Question code refers to a special number assigned to each question as structured in the questionnaire. For instance, question code A1 refers to question number 1 under section A of the questionnaire, and so on. The respondents' choice narrowed down answers actually given by the respondents to an already 5 leveled scale numbered 1 – 5; 5 indicating that the respondent strongly agree to a very high extent with the assertion (question), 4 for high extent, 3 for average extent, 2 for to a low extent and 1 where the respondent strongly disagree to a very low extent. Frequency refers to the number of time respondents made a particular choice for a particular assertion (question). Table 1.1 below is used as an example to presents the data in Section A of the questionnaire in a coded form.

TABLE 1.1: DESCRIPTIVE STATISTICS OF TAX INCENTIVE AND ECONOMIC GROWTH A STUDY OF SOME MANUFACTURING COMPANIES IN NORTH-EASTERN NIGERIA

Variables	MEAN	Std Deviation	Skewness	Kurtosis	FREQUENCY (%)	
					CUM.HIGH)	CUM.LOW
A1	2.8875	1.55078	.151	-1.464	75	25
A2	2.2750	1.2322	.703	-.655	95	5
A3	3.1000	1.37427	-.154	-1.290	82.5	17.5
A4	2.1000	1.14295	1.052	.351	95	5
A5	3.0500	1.33027	.171	-.868	75	25
A6	2.0875	.98333	1.214	1.533	96.3	3.7
A7	3.7875	1.46429	-1.060	-.322	57.5	42.5
A8	2.7750	1.42291	-.023	-1.390	88.8	11.2
A9	2.5625	1.11200	-.020	-1.347	72.5	27.5
A10	4.0750	1.20940	.480	-.478	90	10
A11	2.9750	1.62243	.041	-1.618	71.3	28.7
A12	2.2500	1.34541	.584	-1.131	95	5
A13	4.0125	1.20646	.109	-.757	85	15
A14	2.6375	1.42530	-.454	-1.218	85	15
A15	3.1875	1.41505	-.204	-1.057	73.8	26.2

Source: Generated by the Researcher (Using SPSS 2013).

The Mean values in table 1.0 show that A10 and A13 with 4.0750, 4.0125 (Tax incentive can be used to offset other disadvantages that investors may face and that foreign investors can be discouraged with high tax regime). While A4 (tax revenue derived is justified with the level of infrastructure provided) was the least in tax incentive and economic growth with a mean of 2.1000.

The frequency column in table 1.0 shows the cumulative low and cumulative high values associated with tax incentive and economic growth and development. It should be noted that options 1,2,3 in the questionnaire (i.e., "Strongly Disagree", "Disagree", "undecided") make up the Cumulative Low column in table 1.1, while options 4, and 5 in the questionnaire (i.e., "Average usage," "Highly used," and "Very highly used") make up the Cumulative high column in table 1.0.

Under the Cumulative Low frequency column in table 1.0, it can be seen that none of the variables received relatively low usage emphases as all the variables are far below 50%. Table 1.0, also, shows that the whole fifteen (15) variables received relatively high usage emphases (as shown in the "cum high" column). These variables are A1 75%, A2 95%, A3 8.25%, A4 95%, A5 75% A6 96.3%, A7 57.5%, A8 88.8%, A9 72.5% A10 90% A11 71.3% A12 95% A13 85%, A14 85%, and A15 73.8%. These means that tax incentive are positively related to economic growth and development as it enhance and facilitate economic development through increase in both foreign and domestic investment which are the indices of economic growth and development.

Table 1.2: Showing Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	NO of Items
.893	.889	15

Source: *Researcher's Design (2013)*

Show the reliability coefficients of the research measures: These values exceed the minimum cutoff point of 0.70 suggested by Cronbach (1947) and Churchill (1995).

Table 1.3: Showing Analysis of Variance (ANOVA) with Friedman's Test

	Sum of Squares	Df	Mean Square	Friedman's Chi - Square	Sig
Between People	169.552	46	3.686	63.592	.000
Between Items	27.254 ^a	14	1.947		
Within People	254.746	644	.396		
Residual	282.000	658	.429		
Total	451.552	704	.641		

Source: **Field Study findings 2012**

Grand Mean = 4.3206

a. Kendall's coefficient of concordance W = .060.

Test of Hypothesis

The following hypotheses were tested using the chi-square computations:

HO1-: There is no significant relationship between tax incentive and economic growth.

HO2-: There are no lay down criteria for tax incentives and there economic implication.

HO3-: There are no Tax incentives accessible and available to companies.

Interpretation of Result

As shown in the ANOVA summary table 1.3, there is much difference between the mean squares of between group and within group, resulting in significant differences ($F = 3.686$ and 0.396 ; $\text{sig} = 0.00$). Moreover, P value is lower than 0.05 . This means that $H_0:1$, $H_0:2$ and $H_0:3$ should be rejected.

Discussion of Results and findings

The result from Table A.3 above shows that $P < 0.05$ (the probability of significant of the F ratio is less than 0.05), which means that the result is significant, thus we reject the Null hypothesis:

H_01 : and conclude that there is significant relationship between tax incentive and economic growth.

H_02 : and conclude that there are lay down criteria for tax incentives and there economic implication.

H_03 : and conclude that there are Tax incentives accessible and available to companies.

The chi-square test statistic is 63.592 with an associated $p < 0.001$.

The null hypothesis should be rejected, since $p < 0.001$ and a conclusion is made that tax incentive has a positive relationship with economic growth. Examine the pattern of numbers it is noted that more respondents agreed that tax incentive encourage direct and indirect foreign and local investment which enhance micro and macro-economic growth and development.

Conclusion

From the findings above, the following conclusions are drawn:

1. The research also concluded that there are lay down criteria formally instituted for tax incentive and that they have economic implications. Although this research questions does not cover the content and procedure instituted as criteria for tax incentive and their implication but only validated the hypothesis H_01 that there exist a lay down criteria for tax incentive and that there are economic implication of these tax incentives as it impact on the development of the micro and macroeconomic.
2. The research findings also show that tax incentives are accessible and available to companies in need of it but this study fall short of covering the degree of accessibility and the flexibility in the process of accessing the available tax incentives.
3. The results of the descriptive statistics indicated that most of the respondents in tax incentive impact economic growth and development. And that conclusion is drawn to further attest to the hypothesis of the finding that companies have access to government tax incentive without restriction and discrimination.

Recommendations

Based on the conclusions drawn above, the followings are recommended:

1. The government as a matter of urgency increase tax incentives granted to companies especially to small scale businesses to increase the micro economic growth which in aggregate totals the macro economic growth and development. This will foster economic growth and encourages new entrepreneurs both foreign and local who will in turn investment in the economy causing an increase in the per capital income, increase in government revenue as a result of more available businesses to be taxed and economic development.
2. There should be clear laid down criteria for tax incentive which should not be ambiguous or difficult to access. The processes and steps to qualify for this tax incentive should be made simple

and stringent criteria should be water-down to facilitate and encourage companies taking advantage of this incentive to grow and develop their businesses.

3. Although tax incentives are available on the pages of the paper, there are still issues of accessibility. Government should ensure that proper monitoring of the agencies responsible for granting this tax incentives to ensure that companies have easy access to this incentives without having to bribe any government personnel or officer. This will bring about a transparency in the process of granting tax incentives and thereby encourage companies to take advantage of this incentive without any reservation or doubt.

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